Table 2: The Western Region has the highest productivity of the U.S. regions.

U.S. REGIONAL LUMBER PRODUCTIVITY

	West	South	North
1977	321,998	194,001	172,007
1982	365,002	303,996	212,018

Source: U.S. International Trade Commission

The ITC compared regional data is compared for 1977 and 1982. Productivity in the western U.S. has been higher than in the south and north. The south, however, experienced the highest rate of increase in productivity between 1977 and 1982 (Table 2).

The state of Washington was identified as having the highest output per employee of any state -- 484,443 board feet in 1982. This was higher than the average in any Canadian province, but somewhat lower than the productivity in interior British Columbia. The average productivity in British Columbia was calculated to be 427,460 board feet per employee in 1982; interior British Columbia was reported at 503,885 board feet per employee. In contrast, average productivity in the southern United States averaged 303,996, with South Carolina standing out as having the highest output per employee in the region with 390,672 board feet.

In general, productivity in the United States industry has been on the rise. The Commerce Department reports that U.S. manufacturing has increased its productivity on average 1.4 percent per year between 1977 and 1982 and 3.9

Table 3: A breakdown of regional sources of consumption further documents the growing Canadian share of the U.S. market.

REGIONAL SOURCES OF U.S. SOFTWOOD LUMBER CONSUMPTION, 1975 TO PRESENT

	U. S. MILLS				IMPORTS				TOTAL	
	Southern		West & Other		Canadian		Other		Consumption	
Year	Volume	PCT.	Volume	PCT.	Volume	PCT.	Volume	PCT.	Volume	PCT.
1975	7,075	23.4	17,495	57.8	5,666	18.7	45	0.1	30,281	100
1976	7,641	21.3	20,301	56.6	7,906	22.0	45	0.1	35,893	100
1977	8,774	21.5	21,631	53.0	10,344	25.4	42	0.1	40,791	100
1978	9,096	21.4	21,664	50.9	11,764	27.6	77	0.2	42,601	100
1979	9,060	22.3	20,393	50.3	11,068	27.3	50	0.1	40,571	100
1980	7,757	22.9	16,513	48.8	9,514	28.1	25	0.1	33,809	100
981	8,177	25.5	14,667	45.8	9,182	28.6	23	0.1	32,049	100
1982	8,232	26.4	13,817	44.3	9,091	29.2	28	0.1	31,168	100
1983	10,233	25.7	17,629	44.3	11,947	30.0	29	0.1	39,838	100
1984	10,570	24.6	19,153	44.6	13,221	30.7	49	0.1	43,001	100
to 10/85	9,064	24.4	15,657	42.1	12,410	33.4	25	0.1	37,156	100

Source: NFPA; WWPA; NIFM
Note: These figures include revisions to 1984 and 1985 softwood lumber data

percent since 1982. Productivity in the lumber industry has been increasing at about twice that rate. Better utilization of raw material, coupled with improvements in mill efficiencies, increased capacity and reductions in the work force have led to these improvements.

The ITC revisions to the productivity measures refocuses attention to allegations of subsidies on timber by the Canadian governments. Discussions currently underway by the two countries are addressing the lumber issue in hopes of clearing the way for free-trade negotiations between the countries. Unless disapproved by Congress, these negotiations will commence this year, but many in the Congress have stated that the lumber issue must be resolved before free trade talks begin in earnest. Congress will also consider this year several pieces of legislation dealing specifically with the lumber import question. The seriousness of the problem they will be asked to solve is exemplified in Table 4, which shows over a ten year time frame how Canada's share of the wood consumed in the U.S. has increased to over 33 percent.

BLS PROJECTS FURTHER DECLINES IN INDUSTRY EMPLOYMENT, EXCEPT FOR PANELS AND MILLWORK

In an unrelated report, the Bureau of Labor Statistics (BLS) has issued its projections by industrial sector of U.S. employment through 1995. Based on various ranges of macroeconomics condition, the projections suggest the fastest rate of growth and the most new jobs in the business services sector.

With respect to the wood products industry, the agency believes employment will decline in the logging and sawmilling industries even under its most optimistic scenario. Employment in the sawmilling industry will decline from 203,000 employees in 1984 to 195,000 in 1995 under the best circumstances. It will decline to 183,000 by 1995 under the low economic growth projection.

Most other wood products manufacturing, including plywood and millwork will experience only moderate growth, according to the BLS. Under the most optimistic scenarios, these industries will increase employment 7 percent by 1990, and 9 percent by 1995. However, under the agency's lowest projection, employment growth would be less than one percent. Table 3 details the BLS projections for the wood products.

For the U.S. as a whole, the agency forecasts average annual increases in productivity of at least 1.7 percent. Improved productivity translates into a smaller work force. Among the factors cited for increases in productivity are: a general upswing in the business cycle; higher investments in productive equipment; a more experienced labor force; stable prices; and incorporation of new technologies as facilities expand or as aging capital stock is replaced. Applying 1980's technology to manufacturing will improve product quality while using less labor.

Table 4: BLS projections for the wood products industry show declines in employment for major industry segments, only moderate growth in others.

U.S. EMPLOYMENT PROJECTIONS FOR THE WOOD PRODUCTS INDUSTRY
(Thousands of Employees)

	ACTUAL				PROJECTED					
					********* 1990 *********			********* 1995 *********		
	1959	1969	1979	1984	Low	Moderate	High	Low	Moderate	High
Logging	149	137	149	125	107	111	114	100	107	114
Sawmills, Planing Mills	305	230	237	203	184	192	192	183	190	195
Millwork, Plywood and Other Wood Products	264	610	393	360	366	380	385	363	381	394
Furniture, Fixtures	126	153	176	211	241	247	254	249	262	275

Source: U.S. Bureau of Labor Statistics

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1985 CONSTRUCTION ACTIVITY SET NEW RECORD

According to the F.W. Dodge survey of construction contracts, the value of 1985 construction totaled $227.7 billion. This was a new high, and represented a third consecutive year of expansion in the construction industry. The housing component of the Dodge data rose 5 percent to $106.8 billion, while nonresidential construction rose 9 percent to $80.8 billion. Public works, utilities and other nonbuilding construction accounted for the balance of $40.1 billion and registered an increase of 12 percent over the previous year.

The Northeast region has experienced the largest increase in construction activity during the past two years. According to the F.W. Dodge statistics, office building gave the region an added boost in 1984. while during this past year housing construction increased dramatically.

The Dodge Index, a measure of construction activity, fell during the fourth quarter (from 169 in October to 157 in December), indicating that some moderation in the pace of new construction is underway. With Gramm-Rudman-Hollings to take effect during the first half of 1986, it is likely that cuts in federal building programs will impact the total level of activity. Approximately $1 billion of cuts in Federal construction programs are anticipated.

Commerce Reports on Residential Alterations and Repairs

In the meantime, expenditures for residential alterations and repair continue at a healthy rate. In a separate Department of Commerce report on residential alterations and repairs during the first half of 1985, the agency reported expenditures of $35.7 billion, up 10 percent from 1984. However, the agency's statistics also show a 17 percent decline in these categories of expenditures between the first and second quarters of the year. Most of the expenditures were made for alterations to existing residences, as opposed to new additions to the structures.

FINALLY, A BREAKTHROUGH WITH JAPAN--TARIFFS LOWERED

This month, the Japanese government announced lower tariffs on certain wood products to take effect beginning in April, 1987. Under the proposal, tariffs on processed wood products would come down by approximately one-third (Table 1). The action affects about $200 million of current U.S. wood products trade with Japan, or 20 percent of total exports. Raw material (logs and chips) comprises the major portion of exports to Japan and are not effected by the latest announcement.

The tariff reductions represent a major milestone in the long negotiating process which began a decade ago, although for some segments of the industry, the announcement fell short of expectations. Softwood plywood producers, in particular, view the

MONTHLY STATISTICAL HIGHLIGHTS

U.S. consumption of softwood lumber was up slightly - 1.6 percent - during the first eleven months of 1985.

New orders for softwood lumber declined 11.5 percent in November from the previous month.

Year-to-date shipments of hardwood lumber were running 5.6 percent ahead of 1984.

Total value of U.S. imports of wood products fell 13.5 percent in November, but is up 5.4 percent for the eleven months.

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Table 1: The scheduled Japanese tariff reductions will affect a number of wood products.

JAPANESE TARIFF REDUCTION SCHEDULE

Product Information			Tariff Reduction Schedule		
Category	Description	Japanese Tariff #	JAN '86	APR '87	APR '88
VENEER	Sheets, < 5mm	44.14-230	15.0%	5.0%	
	Other, < 5mm	44.14-290	15.0%	5.0%	
PLYWOOD	Tongued, Grooved	44.15-111	16.3%	12.5%	10.0%
	Two Ply Softwood	44.15-191	15.0%	12.5%	10.0%
	< 3mm, Hardwood	44.15-192	20.0%	17.5%	15.0%
	3 mm < X < 6 mm, Hardwood	44.15-193	20.0%	17.5%	15.0%
	6mm < X < 12 mm, Hardwood	44.15-194	17.0%	13.5%	10.0%
	> 12 mm, Hardwood	44.15-195	17.0%	13.5%	10.0%
RECONSTITUTED WOOD	Particlebd., Waferbd., OSB	44.18-100	12.0%	8.0%	
UNFINISHED PINE LUMBER		44.05-310	7.0%	4.8%	
FIBER BUILDING BOARD	Includes MDF	44.11-900	5.2%	3.5%	
FINISHED PINE LUMBER	Includes S-P-F	44.13-300	10.0%	8.0%	
LAMINATED LUMBER		44.15-200	20.0%	15.0%	
WOOD BEADINGS, MOLDINGS		44.19-000	7.2%	4.8%	

reductions as too little to materially effect their exports. Nevertheless, trade with Japan should increase $20-$30 million annually, with the biggest increase to occur in softwood and hardwood veneers.

MOSS Talks to Resume

The Japanese also agreed to resume the Market Oriented, Sector Specific (MOSS) talks on wood products tariffs which began in February of last year, once the new tariff reductions are in place. MOSS talks on technical, non-tariff aspects of the trade relationship with Japan will continue without delay.

These talks have resulted in an agreement to jointly promote wood products in Japan. As a start, the U.S. industry with assistance from the Department of Agriculture's Foreign Agricultural Service will construct a demonstration house in Tokyo utilizing the latest in wood-based techniques. The model house is scheduled for completion in May of this year, in time for President Reagan's visit to Japan. The Japanese also agreed to:

- promptly test lodgepole and ponderosa pine for use in laminated lumber. The Japanese had previously rejected similar tests;

Table 2

U.S. EXPORTS OF SOLID WOOD PRODUCTS TO JAPAN
By Major Product Category

	1984		11 Mos. 1985	
	Volume (In Units)	Value ($000)	Volume (In Units)	Value ($000)
Softwood Logs	1,751,335	631,416	1,753,645	624,095
Hardwood Logs	8,429	9,014	4,663	7,402
Poles, Piles, Posts	512,633	666	123	8
Softwood Lumber	544,744	162,253	518,894	147,610
Hardwood Lumber	50,750	35,515	40,734	154,610
Softwood Veneer	111,359	2,166	54,228	1,569
Hardwood Veneer	3,154	376	11,610	526
Softwood Plywood	6,542	2,001	5,860	1,658
Hardwood Plywood	32	35	863	141
Particleboard	2,747	605	9,036	82

Source: Dept. of Commerce, Foreign Agricultural Service

ECONOMICS MONTHLY
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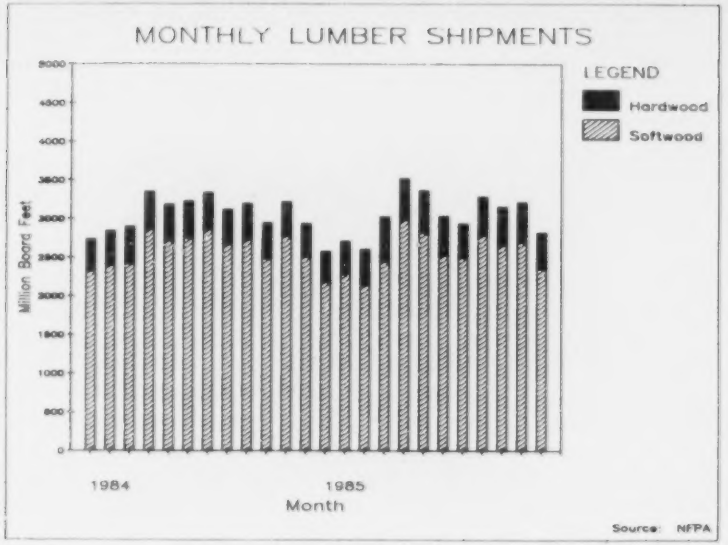
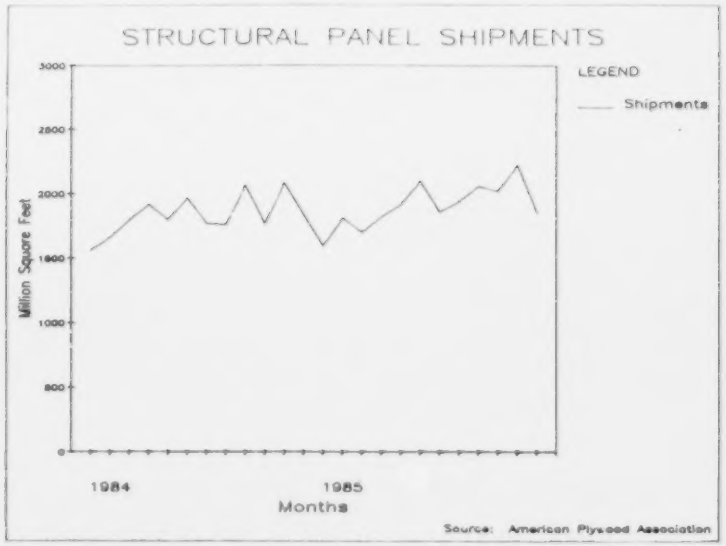
MONTHLY STATISTICS FOR THE WOOD PRODUCTS INDUSTRY

	ESTIMATED INDUSTRY TOTALS BY PRODUCING REGION				
	NOVEMBER 1985			NOVEMBER 30, 1985	
	Production	Shipments	Orders Received	Unfilled Orders	Gross Stocks
SOFTWOOD LUMBER		(Million Board Feet)			
Southern Pine Region	783	766	719	581	1,893
Douglas Fir Region	618	617	654	575	961
Western Pine Region	733	729	734	446	1,332
California Redwood Region	130	132	141	96	380
Other Softwoods	116	115	115	241	304
TOTAL SOFTWOODS	2,380	2,359	2,363	1,939	4,870
% Change - October 1985	-16.8%	-13.0%	-11.5%	0.2%	0.4%
% Change - November 1984	0.1%	-5.5%	-7.2%	-6.4%	3.6%
HARDWOOD LUMBER					
Southern Hardwood Region	240	239	249	237	857
Appalachian Hardwood Reg.	26	26	27	*	*
Other Hardwoods	205	204	213	158	1,065
TOTAL HARDWOODS	471	469	489	395	1,922
% Change - October 1985	-15.6%	-13.5%	-7.2%	5.3%	0.1%
% Change - November 1984	-1.3%	2.2%	5.8%	9.7%	10.0%
TOTAL LUMBER	2,851	2,828	2,852	2,334	6,792
% Change - October 1985	-16.6%	-13.0%	-10.8%	1.0%	0.3%
% Change - November 1984	-0.1%	-4.3%	-5.2%	-4.0%	5.3%
* Included in Other Hardwoods					
FLOORING		(Thousand Feet)			
Oak Flooring (Bd. Ft.)	NA	10,244	NA	5,535	6,190
Maple Flooring (Sq. Ft.)	842	896	1,010	3,115	1,581
STRUCTURAL PANELS	1,898,840	1,858,023	1,693,229	526,254	0
% Change - October 1985	-16.1%	-16.6%	-17.1%	-23.0%	-100.0%
% Change - November 1984	1.3%	0.9%	-5.4%	-19.6%	-100.0%





YEAR-TO-DATE PRODUCTION, SHIPMENTS, AND ORDERS

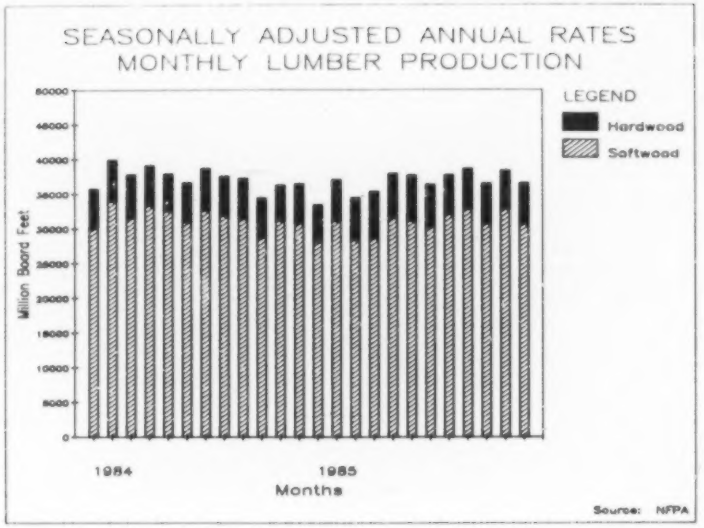
	PRODUCTION		SHIPMENTS		ORDERS RECEIVED	
	Latest Period Available	% Change	Latest Period Available	% Change	Latest Period Available	% Change
	11 mos.'85	11 mos.'84	11 mos.'85	11 mos.'84	11 mos.'85	11 mos.'84
	(Million Board Feet)					
TOTAL LUMBER	34,462	-1.2%	34,025	-1.6%	34,112	-0.6%
TOTAL SOFTWOOD	28,425	-2.4%	28,149	-3.0%	28,213	-2.1%
TOTAL HARDWOOD	6,037	4.6%	5,876	5.6%	5,899	7.2%

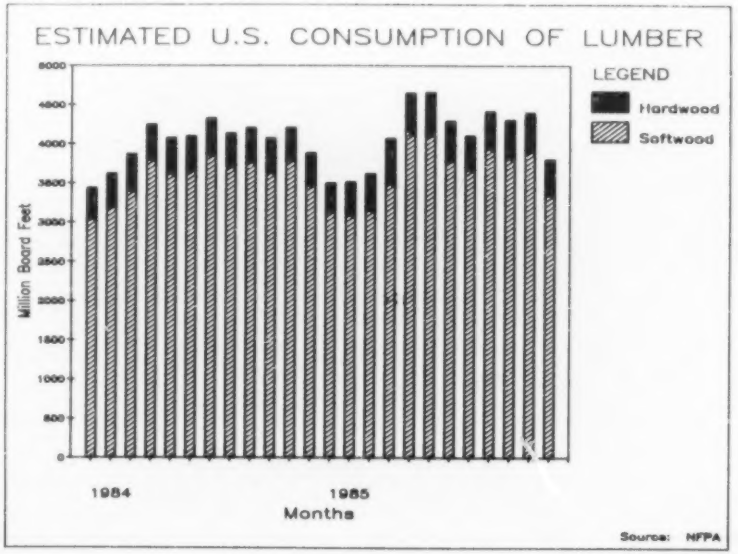
SEASONALLY ADJUSTED ANNUAL RATES

	PRODUCTION			SHIPMENTS		
		---% Change From--			---% Change From--	
LUMBER REGION	Nov. '85	Oct. '85	Nov. '84	Nov. '85	Oct. '85	Nov. '84
	(Million Board Feet)			(Million Board Feet)		
Southern Pine	9,911	-7.5%	-3.3%	10,035	-5.7%	-5.3%
Douglas Fir	7,685	-14.9%	2.8%	7,688	-5.8%	-6.7%
Western Pine	9,784	0.2%	0.5%	9,774	2.7%	-6.8%
Calif. Redwood	1,757	0.7%	7.4%	1,798	21.1%	7.3%
Other Softwoods	1,478	-6.2%	0.0%	1,485	-1.9%	-5.0%
TOTAL SOFTWOODS	30,615	-6.7%	0.1%	30,781	-1.7%	-5.5%
TOTAL HARDWOODS	6,013	1.6%	-1.3%	5,881	-2.1%	2.2%
TOTAL LUMBER	36,628	-5.5%	-0.1%	36,662	-1.8%	-4.3%

U.S. LUMBER CONSUMPTION

	CURRENT			YEAR-TO-DATE	
	Latest Month Available	----% Change From----		Latest Period Available	% Change From
	Nov. '85	Oct. '85	Nov. '84	11 mos.'85	11 mos.'84
	(Million Board Feet)				
Total Consumption	3,810	-14.2%	-2.6%	46,206	2.4%
Softwood Consumption	3,348	-14.4%	-3.2%	40,364	1.6%
Hardwood Consumption	462	-12.7%	2.0%	5,842	8.7%





INTERNATIONAL TRADE STATISTICS

		VOLUME				VALUE ($000)			
		Nov. '85	11 mo. 1985	% Change From Oct. '85	% Change From 11 mo. 1984	Nov. '85	11 mo. 1985	% Change From Oct. '85	% Change From 11 mo. 1984
EXPORTS									
SOFTWOOD LUMBER	MMBF	126.2	1,378.0	1.7%	-6.2%	45,224	455,423	13.9%	-7.1%
To Canada	MMBF	22.6	280.0	-23.3%	-12.3%	5,519	69,873	-21.3%	-7.3%
SOFTWOOD LOGS	MMBF	324.9	3,457.2	6.9%	12.6%	105,528	1,086,482	12.8%	9.7%
SOFTWOOD PLYWOOD	MMSF 3/8"	40.6	275.0	175.6%	-16.0%	9,337	64,895	155.0%	-15.0%
HARDWOOD LUMBER	MMBF	35.1	368.7	-6.3%	-15.3%	20,995	228,911	-11.7%	-12.8%
HARDWOOD LOGS	MMBF	8.4	102.5	20.0%	-48.2%	7,929	82,022	51.9%	-16.5%
HARDWOOD VENEER	MMSFsurf	105.2	748.2	47.8%	-21.0%	7,256	58,503	33.6%	-24.1%
PARTICLEBOARD	MMSF 3/4"	13.7	108.4	-1.6%	8.3%	2,748	21,638	3.5%	-11.5%
ALL OTHER		NA	NA	NA	NA	44,218	446,169	14.0%	4.4%
TOTAL U.S. EXPORTS		NA	NA	NA	NA	244,254	2,459,935	14.1%	-0.4%
IMPORTS									
SOFTWOOD LUMBER	MMBF	1,115.3	13,593.4	-15.8%	11.5%	218,134	2,695,819	-17.8%	9.2%
From Canada	MMBF	1,099.6	13,509.5	-16.6%	11.2%	214,248	2,677,729	-18.8%	9.0%
SOFTWOOD LOGS	MMBF	9.6	69.3	129.8%	-38.2%	1,819	16,411	130.3%	18.7%
SOFTWOOD PLYWOOD	MMSF 3/8"	6.4	80.3	-32.1%	15.7%	2,137	19,827	11.4%	27.8%
HARDWOOD LUMBER	MMBF	28.2	340.6	12.1%	12.5%	11,939	168,583	-2.6%	4.4%
HARDWOOD LOGS	MMBF	1.7	25.3	-66.9%	-10.0%	436	3,390	38.9%	-19.4%
HARDWOOD VENEER	MMSFsurf	125.9	1,303.5	2.6%	-6.5%	8,760	94,242	1.0%	-18.4%
HARDWOOD PLYWOOD	MMSF 3/8"	253.0	3,291.5	-34.5%	16.0%	32,220	409,147	-22.5%	2.0%
HARDBOARD	MMSFsurf	70.3	714.5	-5.0%	212.5%	4,355	47,859	.0%	6.2%
PARTICLEBOARD	MSF 3/4"	51.5	523.3	-3.6%	9.5%	13,326	130,278	-7.3%	7.3%
ALL OTHER		NA	NA	NA	NA	92,176	975,473	-4.0%	-0.2%
TOTAL U.S. IMPORTS		NA	NA	NA	NA	385,583	4,564,895	-13.5%	5.4%

Note: Volume total is not possible because the products are in different units of measure.